

**JR-West Group Medium-Term Management Plan 2022 and Results for the Fiscal Year
Ended March 31, 2018, Summary of Question and Answer Session**

Q1

Over the period of the current plan, measures to capture inbound demand are expected to increase transportation revenues by ¥17.1 billion, but FY2023.3 transportation revenues are limited to an increase of ¥22.1 billion. Do you consider the plan to be conservative?

A1

With regard to the fundamental trend for transportation revenues, the plan anticipates a small decrease due the influence of the declining population and other factors. On the other hand, we are planning for an increase of ¥31.0 billion for special factors. In addition to capturing inbound demand, we also plan to increase revenues through other measures, which will contribute approximately ¥14.0 billion of that total. We do not consider the plan to be conservative.

Q2

Maintenance costs will be at a high level in FY2019.3 — ¥170.0 billion. What is the forecast for maintenance costs in FY2023.3, the final year of the plan?

A2

The implementation of safety measures will be concentrated in the early stages of the period of the current plan. Accordingly, in FY2019.3 there will be increases in capital expenditures and maintenance costs. In addition, higher capital expenditures will also lead to removal work, and consequently we are planning for a substantial increase in maintenance costs. Excluding opening preparation costs related to the opening of the Hokuriku Shinkansen Tsuruga extension, for FY2023.3 we are forecasting a level that is about the same as in FY2018.3.

Q3

With regard to measures to address the critical incident on the Shinkansen, what will be the extent of the influence of in FY2019.3? Also, what will be the extent of the influence over the period of the current plan?

A3

For capital expenditures, we are planning a cumulative total of ¥20.0 billion over the period of the current plan. On the other hand, in regard to maintenance costs, there will not be a significant influence in FY2019.3 or thereafter.

Q4

When the shares of Ryoju Properties were acquired, there was a comment that the company would double operating income in the real estate lease and sale business in FY2023.3, from approximately ¥10.0 billion. Under the current plan, why is the increase in operating income in the real estate business limited to ¥5.7 billion?

A4

In regard to the real estate lease and sale business, we stated that we would aim for consolidated

operating revenues of ¥100.0 billion and operating income of ¥20.0 billion in FY2023.3, and we are planning to achieve these objectives under the current plan.

Q5

Specifically what types of projects are included in the FY2019.3 capital expenditure plan of ¥280.0 billion?

A5

Safety CAPEX will be approximately ¥130.0 billion, which will be divided evenly between rolling stock updates and ground construction. Rolling stock updates include plans for Shinkansen rolling stock and rolling stock for use on the outskirts of Hiroshima, etc. In regard to ground construction, we are planning platform safety measures and large-scale disaster countermeasures. Other than safety related measures, we are also planning transportation improvement, service improvement, and productivity increases, as well as development of real estate lease properties, etc.

Q6

The current plan calls for ¥460.0 billion in CAPEX for growth. What level of return are you anticipating during the period of the current plan?

A6

In regard to CAPEX for growth, much of it is for large-scale projects to be completed after the current plan. For transportation operations, the Hokuriku Shinkansen Tsuruga extension, which will open in the final year of the current plan, will entail a large amount of capital expenditures. With regard to the real estate business, there are three large projects (Osaka, Sannomiya, Hiroshima) that will open during the next plan, and the scale of investment for these projects is substantial. In both cases, the investment effect will be realized during the next plan.

Q7

For investing to increase productivity, what fields will you invest in, and what level of returns can be obtained?

A7

It is difficult to show the effects quantitatively, but specific initiatives will include increasing the productivity of maintenance operations through the use of pre-stressed concrete railroad ties, introducing multiple tie tampers and other track maintenance equipment, and using sensors to monitor conditions. In addition, we will also consider revising station sales systems through increases in the IC card usage rate.

Q8

During the period of the previous plan, the company acquired the shares of Ryoju Properties. What are your thoughts regarding M&A during the current plan?

A8

We are not considering specific projects at this point. However, in regard to projects that would contribute to increasing regional value or increasing the value of railway belts, which are part of the current plan, we would not deny that M&A activities are a possibility. We have announced the objective of consolidated operating revenues of ¥2 trillion by around 2030. To realize that objective we will need to achieve dramatic growth, and we will consider alliances outside the Group.

Q9

In regard to the uses of cash, if cash flow exceeds plans, or if growth investment does not reach plans, then how will the excess cash be utilized?

A9

In regard to the priority ranking for the uses of cash, as shown here, we will basically use cash for investment projects. We will consider specific projects in the future. We will give priority to growth investment as we target consolidated operating revenues of ¥2 trillion by around 2030. With regard to shareholder return, we will fully implement our new shareholder return policy.

Q10

My question is about the implementation of shareholder return based on the dividend payout ratio. Up to this point, there have been many years with substantial extraordinary losses. Consequently, some would have the view that the previous method of implementing shareholder return based on net assets facilitates the realization of stable returns. Did the Company change the return policy because the plans going forward call for only small fluctuations in net income?

A10

In regard to extraordinary losses, we do not have specific plans, but we will implement management with a focus on net income.

Q11

In regard to the flexible acquisition of treasury stock, it seems that the high level of capital expenditures will put pressure on free cash flow. Is there a possibility that debt will be increased for own-stock acquisitions?

A11

We are not considering the raising of funds through debt for the purpose of own-stock acquisitions. However, in regard to additional growth investment, it is possible that we could use debt.

Q12

What is the Company's approach to local lines?

A12

Considering the circumstances of the restructuring of the Japanese National Railways, we need to work to maintain the railway belts that we are currently operating. On the other hand, it is important that we work together with people in local communities to consider public transportation appropriate for the needs of our railway service area. Recently, we have been advancing discussions regarding the conversion of the Kibi Line to LRT. Moving forward, we will continue striving to closely track local needs and realize sustainable modes of transportation.

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